

EUREKA CHARTER TOWNSHIP
Montcalm County, Michigan

Comprehensive Annual Financial Report

For the year ended December 31, 2007

EUREKA CHARTER TOWNSHIP
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For the year ended December 31, 2007

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

June 30, 2008

The Township Board
Eureka Charter Township
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Eureka Charter Township (the "Township") as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Eureka Charter Township as of December 31, 2007, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Eureka Charter Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Batten, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

EUREKA TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

As management of the Eureka Charter Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$86,028 (or twelve percent).
- Total expenses of the Township's programs were \$678,173.
- Total revenues, including all program and general revenues, were \$764,201.
- At the close of the current year, the Township's governmental fund, the General Fund, reported an ending fund balance of \$758,016, an increase of \$79,765 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$758,016, or 111 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, roads and parks. The Township has no business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

EUREKA TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains one governmental fund, the General Fund. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 12-16 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 19-26 of this report.

Government – Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Eureka Township, assets exceeded liabilities by \$816,077 at the close of the fiscal year.

A portion of the Township's net assets, \$58,061 (7 percent), reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

EUREKA TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

The Statement of Net Assets provides financial information on the Township as a whole:

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 1,077,528	\$ 995,229
Capital assets	<u>58,061</u>	<u>51,798</u>
Total Assets	1,135,589	1,047,027
Liabilities		
Current liabilities	319,512	316,978
Net Assets		
Invested in capital assets, net of related debt	58,061	51,798
Restricted for inspection services	—	22,808
Unrestricted	<u>758,016</u>	<u>655,443</u>
Total Net Assets	<u>\$ 816,077</u>	<u>\$ 730,049</u>

The Statement of Activities presents changes in net assets from operating results for the year:

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 37,267	\$ 94,391
General Revenues		
Property taxes	367,976	284,454
State/intergovernmental revenue	229,683	229,119
Interest earnings	8,341	5,472
Other	<u>120,934</u>	<u>2,507</u>
Total Revenues	<u>764,201</u>	<u>615,943</u>
Expenses		
General government	151,889	171,138
Public safety	245,991	268,182
Public works	255,999	156,979
Other township	<u>24,294</u>	<u>22,268</u>
Total Expenses	<u>678,173</u>	<u>618,567</u>
Increase (decrease) in net assets	86,028	(2,624)
Net Assets - Beginning of Year	<u>730,049</u>	<u>732,673</u>
Net Assets - End of Year	<u>\$ 816,077</u>	<u>\$ 730,049</u>

Governmental activities increased the Township's net assets by \$86,028, mainly due to an increase in property taxes combined with conservative expenditure budgeting.

EUREKA CHARTER TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Eureka Township's one governmental fund, the General Fund, is described as follows:

Major Fund

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$764,201 and total expenditures of \$684,436. It ended the year with a fund balance of \$758,016, up from \$678,251 at December 31, 2006.

General Fund Budgetary Highlights

Over the course of the year, the Township revised the annual operating budget to comply with Michigan Department of Treasury guidelines. The budget amendment was made to reflect changes in expenditures as they occurred during the year, primarily in the areas of personnel costs and sheriff patrol services.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2007, the Township had a \$100,291 investment in a broad range of capital assets, including land, buildings and improvements, furniture and equipment and vehicles. (More detailed information about capital assets can be found in the notes to basic financial statements.)

Capital asset additions totaled \$9,536 for the fiscal year with accumulated depreciation increasing \$3,273. The net book value of capital assets at December 31, 2007 is detailed as follows:

	Governmental Activities
Land	\$ 10,000
Construction in progress	9,536
Buildings and improvements	14,054
Office furnishings and equipment	8,361
Vehicles	16,110
Total Capital Assets	\$ 58,061

EUREKA CHARTER TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

Long-Term Debt

The Township has no outstanding long-term debt.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2008 anticipates a reduction in year end fund balance of \$20,906. This estimate reflects property tax growth within the Township, continuing reductions in state shared revenues, township hall improvement expenditures and a continuing effort to control/reduce costs within the Township, while continuing to maintain a high quality of taxpayer service.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Ruwersma, Township Clerk, Eureka Township, 9322 Southwest Greenville Road, Greenville, MI, 48838.

BASIC FINANCIAL STATEMENTS

EUREKA CHARTER TOWNSHIP
Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 645,474
Receivables:	
Taxes (Note C)	309,967
Accounts	41,401
Due from other governmental units	<u>80,686</u>
Total Current Assets	<u>1,077,528</u>
Noncurrent Assets	
Capital assets (Note E)	100,291
Less accumulated depreciation	<u>(42,230)</u>
Total Noncurrent Assets	<u>58,061</u>
Total Assets	<u>1,135,589</u>
Liabilities	
Current Liabilities	
Accounts payable	8,525
Payroll withholdings payable	1,020
Deferred revenue	<u>309,967</u>
Total Liabilities	<u>319,512</u>
Net Assets	
Invested in capital assets, net of related debt	58,061
Unrestricted	<u>758,016</u>
Total Net Assets	<u><u>\$ 816,077</u></u>

See accompanying notes to basic financial statements.

EUREKA CHARTER TOWNSHIP
Statement of Activities
For the year ended December 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental activities:				
General government	\$ 151,889	\$ 3,990	\$ -	\$ (147,899)
Public safety	245,991	33,277	-	(212,714)
Public works	255,999	-	-	(255,999)
Other township	24,294	-	-	(24,294)
Total Governmental Activities	\$ 678,173	\$ 37,267	\$ -	(640,906)
General revenues:				
Property taxes levied for:				
General operations				367,976
State revenue sharing				229,683
Interest earnings				8,341
Other				120,934
Total General Revenues				726,934
Change in Net Assets				86,028
Net Assets - Beginning of Year				730,049
Net Assets - End of Year				\$ 816,077

See accompanying notes to basic financial statements.

EUREKA CHARTER TOWNSHIP
Balance Sheet
Governmental Funds
December 31, 2007

Assets	<u>General</u>
Cash equivalents, deposits and investments (Note B)	\$ 645,474
Receivables:	
Taxes (Note C)	309,967
Accounts	400
Due from other funds (Note D)	41,001
Due from other governmental units	<u>80,686</u>
Total Assets	<u>\$ 1,077,528</u>
 Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 8,525
Payroll withholdings payable	1,020
Deferred revenue	<u>309,967</u>
Total Liabilities	<u>319,512</u>
Fund Balances:	
Unreserved:	
Undesignated, reported in:	
General fund	<u>758,016</u>
Total Fund Balances	<u>758,016</u>
Total Liabilities and Fund Balances	<u>\$ 1,077,528</u>

See accompanying notes to basic financial statements.

EUREKA CHARTER TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007

Total governmental fund balances	\$ 758,016
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$100,291 and accumulated depreciation is \$42,230.	<u>58,061</u>
Total net assets - governmental activities	<u><u>\$ 816,077</u></u>

See accompanying notes to basic financial statements.

EUREKA CHARTER TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2007

	<u>General</u>
Revenues	
Taxes	\$ 367,976
Licenses and permits	33,277
State sources	229,683
Charges for services	3,990
Interest and rentals	8,341
Other revenue	<u>120,934</u>
Total Revenues	<u>764,201</u>
Expenditures	
Current:	
General government	159,983
Public safety	244,160
Public works	255,999
Other township	<u>24,294</u>
Total Expenditures	<u>684,436</u>
Net Change in Fund Balances	79,765
Fund Balances, January 1	<u>678,251</u>
Fund Balances, December 31	<u><u>\$ 758,016</u></u>

See accompanying notes to basic financial statements.

EUREKA CHARTER TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2007

Net change in fund balances - total governmental funds	\$ 79,765
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which capital outlays exceeded
depreciation in the current period:

Capital outlays	9,536	
Depreciation expense	(3,273)	6,263
Total changes in net assets - governmental activities	\$	86,028

See accompanying notes to basic financial statements.

EUREKA CHARTER TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 321,485	\$ 321,485	\$ 367,976	\$ 46,491
Licenses and permits	71,000	71,000	33,277	(37,723)
State sources	231,000	231,000	229,683	(1,317)
Charges for services	5,410	5,410	3,990	(1,420)
Interest and rentals	1,500	1,500	8,341	6,841
Other revenue	1,500	1,500	120,934	119,434
Total Revenues	631,895	631,895	764,201	132,306
Expenditures				
Current:				
General government:				
Township board	64,100	68,066	48,577	19,489
Supervisor	12,500	12,700	12,659	41
Clerk	19,000	19,000	18,862	138
Board of review	1,000	1,200	1,188	12
General administration	-	-	4,261	(4,261)
Treasurer	21,000	22,000	22,780	(780)
Assessor	29,000	29,000	28,761	239
Elections	500	500	661	(161)
Building and grounds	53,000	52,018	21,389	30,629
Cemetery	1,000	1,000	845	155
Total general government	201,100	205,484	159,983	45,501
Public safety:				
Law enforcement	102,300	112,300	95,169	17,131
Fire department	72,000	72,000	71,227	773
Planning/building inspections	108,000	90,500	43,530	46,970
Zoning	5,100	5,200	34,234	(29,034)
Total public safety	287,400	280,000	244,160	35,840
Public works:				
Highways, streets and bridges	143,000	143,000	250,581	(107,581)
Street lighting	5,000	5,500	5,418	82
Total public works	148,000	148,500	255,999	(107,499)
Other township	21,500	26,500	24,294	2,206
Total Expenditures	658,000	660,484	684,436	(23,952)
Net Change in Fund Balances	(26,105)	(28,589)	79,765	108,354
Fund Balances, January 1	678,251	678,251	678,251	-
Fund Balances, December 31	\$ 652,146	\$ 649,662	\$758,016	\$ 108,354

See accompanying notes to basic financial statements.

EUREKA CHARTER TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Assets
December 31, 2007

	<u>Tax Account Agency Fund</u>
Assets	
Cash equivalents, deposits and investments (Note B)	<u>\$ 564,357</u>
Liabilities	
Due to other funds (Note D)	\$ 41,001
Due to other governmental units	<u>523,356</u>
Total Liabilities	<u>\$ 564,357</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

Note A – Summary of Significant Accounting Policies

Eureka Charter Township was organized as a general law township under applicable laws of the State of Michigan and was incorporated as a charter township under provisions of Act 359, Public Acts of 1947, as amended by the Public Acts of 1976. The Township is governed by a Township Board consisting of a Supervisor, Clerk, Treasurer, and four Trustees, each of whom is elected for a four-year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

The financial statements of Eureka Charter Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Eureka. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

Additionally, the Township reports the following non-major fund types:

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

4. Budgets and Budgetary Accounting

The budget presented in the financial statements was prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budget is generated with input from the Clerk, the Treasurer, the Supervisor and the Township Trustees.
- The completed budget is then presented to Township electors at a public hearing in December, at which time taxpayer comments and recommendations are heard. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental (activity) level for the General Fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	20-40 years
Office furnishings and equipment	5-15 years
Vehicles	5-10 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

Note B – Cash Equivalents and Deposits

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at December 31, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents and deposits per the Statement of Net Assets:

General Fund	\$ 645,474
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Cash equivalents and deposits of Fiduciary Funds:

Tax Account Agency Fund	<u>564,357</u>
	<u>\$ 1,209,831</u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking accounts. Deposits consist of certificates of deposit.

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Chemical Bank
2. Huntington National Bank
3. Fifth Third Bank

December 31, 2007 balances are detailed as follows:

Cash equivalents	\$ 974,010
Deposits	<u>235,821</u>
	<u><u>\$ 1,209,831</u></u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$1,209,831 and the bank balance was \$1,423,437, which \$335,328 was covered by federal depository insurance and \$1,088,109 was uninsured.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Eureka Charter Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Funds of Eureka Charter Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Eureka Charter Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Diversification: The investments of Eureka Charter Township will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: Eureka Charter Township's investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Eureka Charter Township shall be conducted on a cash basis or a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes are payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Property tax revenues are recognized by the Township in the calendar year for which taxes have been levied. For the 2007 calendar year, the 2006 Township property tax levies are recognized in the amounts collected. As the 2007 property tax roll was levied for 2008 operations, Township taxes that become due December 1, 2007 have not been included as revenue for the year ended December 31, 2007. Instead, the uncollected portion of the 2007 Township tax roll at December 31, 2007 is reported in the General Funds as taxes receivable, with total 2007 Township levies reported as deferred revenue.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Montcalm County, Flat River Library, Ionia County Intermediate School District, Montcalm Intermediate School District, Montcalm Community College, Belding Area Schools and Greenville Public Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

Township property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to the effect of the Headlee Amendment, actual tax levies were reduced to .8073 for the fiscal year ended December 31, 2007. The Township also levied 1.0 mills for police protection and .4860 mills for roads, as previously approved by Township electors and reduced by the effect of the Headlee Amendment.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds at December 31, 2007 are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Tax Account Agency Fund	\$ 41,001	\$ —
Tax Account Agency Fund:		
General Fund	—	41,001
	<u>\$ 41,001</u>	<u>\$ 41,001</u>

EUREKA CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2007

Note E – Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Balances</u> <u>January 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>December 31, 2007</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 10,000	\$ –	\$ –	\$ 10,000
Construction in progress	–	9,536		9,536
Capital assets being depreciated:				
Buildings and improvements	39,562	–	–	39,562
Office furnishings and equipment	10,534	–	–	10,534
Vehicles	30,659	–	–	30,659
	<u>90,755</u>	<u>\$ 9,536</u>	<u>\$ –</u>	<u>100,291</u>
Less accumulated depreciation for:				
Buildings and improvements	24,470	\$ 1,038	\$ –	25,508
Office furnishings and equipment	1,769	404	–	2,173
Vehicles	12,718	1,831	–	14,549
	<u>38,957</u>	<u>\$ 3,273</u>	<u>\$ –</u>	<u>42,230</u>
Net Capital Assets -				
Governmental Activities	<u>\$ 51,798</u>			<u>\$ 58,061</u>

Depreciation expense was charged to Township governmental activities as follows:

General government	\$ 1,442
Public safety	<u>1,831</u>
	<u>\$ 3,273</u>

Note F – Building Inspections

The Township does not maintain a separate fund for building inspection services, and, beginning in 2007, now contracts with Montcalm County for inspection services. Expenditures for these services were classified to a separate function during the year. For the year ended December 31, 2007, the building permit and inspection function of the Township produced revenues totaling \$32,777 and incurred expenditures totaling \$77,594 which used up the previous years' reserved fund balance of \$22,808 at December 31, 2007.

Note G – Stewardship, Compliance and Accountability

The following Township fund had actual expenditures exceed final budgeted expenditures for the year ended December 31, 2007, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Negative</u> <u>Variance</u>
General Fund	\$ 660,484	\$ 684,436	\$ 23,962

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

EUREKA CHARTER TOWNSHIP
General Fund
Comparative Balance Sheet
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 645,474	\$ 623,099
Receivables:		
Taxes	309,967	296,923
Accounts	400	1,500
Due from other funds	41,001	-
Due from other governmental units	<u>80,686</u>	<u>73,707</u>
Total Assets	<u><u>\$ 1,077,528</u></u>	<u><u>\$ 995,229</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 8,525	\$ 20,055
Payroll withholdings payable	1,020	-
Deferred revenue	<u>309,967</u>	<u>296,923</u>
Total Liabilities	<u>319,512</u>	<u>316,978</u>
Fund Balances		
Reserved for inspection services	-	22,808
Unreserved:		
Undesignated	<u>758,016</u>	<u>655,443</u>
Total Fund Balances	<u>758,016</u>	<u>678,251</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,077,528</u></u>	<u><u>\$ 995,229</u></u>

EUREKA CHARTER TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Taxes:		
Current property taxes	295,292	251,295
Ridgewood lights	1,925	1,815
Administration fees	41,969	31,344
Penalties and interest on taxes	28,790	-
	<u>367,976</u>	<u>284,454</u>
Licenses and permits:		
Building permits	32,777	88,523
Local licenses	500	100
	<u>33,277</u>	<u>88,623</u>
State sources:		
Sales taxes	225,045	224,548
Other State shared revenues	4,638	4,571
	<u>229,683</u>	<u>229,119</u>
Charges for services:		
Zoning fees	3,990	-
Summer tax collection fees	-	5,768
	<u>3,990</u>	<u>5,768</u>
Interest and rentals:		
Interest on deposits and investments	8,341	5,472
Other revenue:		
Refunds and reimbursements	120,934	2,507
	<u>120,934</u>	<u>2,507</u>
Total Revenues	<u><u>\$ 764,201</u></u>	<u><u>\$ 615,943</u></u>

EUREKA CHARTER TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended December 31, 2007 and 2006

	2007	2006
Current:		
General government:		
Township board:		
Salaries	\$ 15,527	\$ 14,296
Office supplies	4,754	6,865
Audit fees	6,500	2,500
Legal fees	7,183	17,740
Travel and conferences	802	68
Printing and publishing	4,008	5,017
Insurance and bonds	9,803	9,466
Miscellaneous	-	2,700
	<u>48,577</u>	<u>58,652</u>
Supervisor:		
Salaries	12,000	10,000
Office supplies	315	321
Travel and conferences	344	-
	<u>12,659</u>	<u>10,321</u>
Clerk:		
Salaries	14,627	15,738
Office supplies	1,631	3,058
Travel and conferences	2,604	-
	<u>18,862</u>	<u>18,796</u>
Board of review:		
Salaries	1,188	890
General administration:		
Remonumentation program	1,000	1,000
Sewer study	2,946	11,034
Como lake	315	-
Water tender	-	3,592
	<u>4,261</u>	<u>15,626</u>
Treasurer:		
Salaries	16,419	16,365
Office supplies	4,252	7,069
Travel and conferences	2,109	-
	<u>22,780</u>	<u>23,434</u>
Assessor:		
Salaries	26,483	25,728
Office supplies	2,278	2,135
	<u>28,761</u>	<u>27,863</u>
Elections:		
Salaries	294	2,231
Office supplies	367	1,440
	<u>661</u>	<u>3,671</u>
Buildings and grounds:		
Township cleanup	3,450	-
Utilities	4,838	5,207
Building maintenance	1,157	1,942

(Continued)

EUREKA CHARTER TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended December 31, 2007 and 2006

	2007	2006
Buildings and grounds: (Continued)		
Janitorial services	\$ 1,080	\$ 495
Snow removal	624	400
Lawn care	550	-
Township addition	9,690	1,082
	<u>21,389</u>	<u>9,126</u>
Cemetery:		
Grounds maintenance	845	870
Total general government	<u>159,983</u>	<u>169,249</u>
Public safety:		
Law enforcement:		
County Sheriff Patrol	95,169	98,339
Fire department:		
Contracted services - City of Greenville	71,227	70,090
Planning/Building inspections:		
Salaries	37,899	48,100
Office supplies	5,631	6,777
	<u>43,530</u>	<u>54,877</u>
Zoning:		
Salaries	28,958	40,739
Office supplies	5,106	2,201
Board of appeals	170	105
	<u>34,234</u>	<u>43,045</u>
Total public safety	<u>244,160</u>	<u>266,351</u>
Public works:		
Highways, streets and bridges:		
Road improvements	250,581	151,942
Street lighting:		
Utilities	5,418	5,037
Total public works	<u>255,999</u>	<u>156,979</u>
Other township:		
Social Security taxes	12,225	6,007
Greenville transit	12,000	16,000
Miscellaneous	69	261
Total other township	<u>24,294</u>	<u>22,268</u>
Total Expenditures	<u><u>\$ 684,436</u></u>	<u><u>\$ 614,847</u></u>

AGENCY FUND

Tax Account Agency—to account for the collection of current taxes, collection fees, dog licenses, and payment to the governmental units entitled to receive these funds.

EUREKA CHARTER TOWNSHIP
Tax Account Agency Fund
Combining Schedule of Changes in Assets and Liabilities
For the year ended December 31, 2007

Tax Account Fund	<u>Balances January 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances December 31, 2007</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 472,135</u>	<u>\$4,232,359</u>	<u>\$4,140,137</u>	<u>\$ 564,357</u>
Liabilities				
Accounts payable	\$ -	\$ 6,091	\$ 6,091	\$ -
Due to other funds	-	341,971	300,970	41,001
Due to other governmental units	<u>472,135</u>	<u>3,884,297</u>	<u>3,833,076</u>	<u>523,356</u>
Total Liabilities	<u>\$ 472,135</u>	<u>\$4,232,359</u>	<u>\$4,140,137</u>	<u>\$ 564,357</u>

OTHER INFORMATION

EUREKA CHARTER TOWNSHIP
Summary of 2006 Taxes Levied and Collected
For the year ended December 31, 2007

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Montcalm County					
Operating	\$126,147,809	5.5891	\$ 705,903	\$ 52,414	\$ 653,489
Drains			5,356	266	5,090
			<u>711,259</u>	<u>52,680</u>	<u>658,579</u>
Flat River Library	126,147,809	1.0000	126,305	11,681	114,624
State Education Tax					
Belding Area Schools	604,718	6.0000	3,628	514	3,114
Greenville Public Schools	125,706,822	6.0000	754,236	43,278	710,958
			<u>757,864</u>	<u>43,792</u>	<u>714,072</u>
School Districts					
Ionia County Intermediate School District	604,718	4.4728	2,705	938	1,767
Montcalm Intermediate School District	125,706,822	2.3625	296,961	27,099	269,862
Montcalm Community College	125,706,822	2.7292	343,068	31,307	311,761
Belding Area Schools:					
Other	604,718	7.0000	4,233	1,468	2,765
Operating	66,927	18.0000	1,205	476	729
Greenville Public Schools:					
Other	125,706,822	7.0000	879,941	80,302	799,639
Operating	39,580,601	18.0000	712,449	94,738	617,711
			<u></u>	<u></u>	<u></u>
Total School Districts			2,240,562	236,328	2,002,467
Eureka Township	126,147,809				
Operating		0.8073	101,961	9,429	92,532
Police		1.0000	126,305	11,681	114,624
Roads		0.4860	61,377	5,676	55,701
Special levies			1,925	20	1,905
Administration fees			41,254	3,668	37,586
			<u></u>	<u></u>	<u></u>
Total Township			332,822	30,474	302,348
			<u></u>	<u></u>	<u></u>
Total Ad Valorem Taxes			<u>\$4,168,812</u>	<u>\$374,955</u>	<u>\$3,792,090</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

June 30, 2008

The Township Board
Eureka Charter Township
Montcalm County, Michigan

The following comments pertain to our audit of the financial records of Eureka Charter Township as of and for the year ended December 31, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP and GASB in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Eureka Charter Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Eureka Charter Township as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Eureka Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

- Inadequate design, documentation, control consciousness and monitoring of internal controls in the Township's informational technology procedures and practices.
- Inadequate documentation of internal accounting and processing controls and procedures within the Township business office.
- Inadequate monitoring of the activities of the Township Tax Account Agency Fund by a person independent of the Treasurer.
- Employees or management who lack the qualifications and training to fulfill their assigned functions; i.e. the lack of knowledge and skills present to apply GAAP and GASB requirements in recording the Township's financial transactions or preparing its financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Township Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Barton, P.C.

Certified Public Accountants

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

June 30, 2008

The Township Board
Eureka Charter Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Eureka Charter Township as of and for the year ended December 31, 2007. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated April 17, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated April 17, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Eureka Charter Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by Eureka Charter Township management.

General Fund

1. \$309,967 to record taxes receivable and deferred revenue from the Township 2007 winter tax roll.
2. \$14,859 to properly record year payroll transactions included in the FICA expenditure account in error
3. \$8,125 and \$20,055 to record and reverse current and prior year end accounts payable.
4. \$80,686 and \$73,707 to record and reverse current and prior year end receivables for State revenue sharing payments.
5. \$22,808 to adjust beginning year fund balance to the correct amount.
6. \$41,001 to record the balance remaining in the Tax Account Agency Fund due to the General fund at December 31, 2007.

Disagreements with Management

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated June 30, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the Township's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007 audit process involving the auditor's review, observation evaluation and documentation of the Township's significant areas of internal controls. Our findings and comments regarding the Township's internal control processes and procedures are detailed in Appendix A, attached to this letter.

Closing

This communication is intended solely for the information and use of the Eureka Charter Township Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

Hungerford, Alden, Nichols & Martin, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
EUREKA CHARTER TOWNSHIP
For the Year Ended December 31, 2007

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthroughs".

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Eureka Charter Township are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the Township's internal controls, based on our observations during the 2007 audit process.

BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
 1. **Tax Account Agency Fund disbursement checks should be reviewed by someone independent of the Treasurer's office. A monthly disbursement report listing checks written could be presented to the Township Board for review and/or reviewed by the Township Accountant on a periodic basis.**
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
EUREKA CHARTER TOWNSHIP
For the Year Ended December 31, 2007

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 1. **The Township Investment Policy should be reviewed annually by the Treasurer and the Township Board to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in Township governance should be responsible for reviewing Township investments on a regular basis to insure that the tenants of the Investment Policy are being followed.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
 1. **Interest income should be tracked by each investment and timely recorded in the general ledger.**
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax billing/collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
 1. **Periodic independent review of the completed payroll preparation process, before payroll checks are printed and distributed, is recommended.**
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll transaction monitoring/reconciliation
 1. **A documented system of monitoring/review of monthly bank transactions should be implemented, including a review of any electronic, non-check disbursements out of the bank account.**

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Appendix A - Comments On Significant Internal Control Areas for
EUREKA CHARTER TOWNSHIP
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CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
 1. **The Township Clerk or Treasurer should assume responsibility (now completed by the auditors) for the capital asset/depreciation lapse schedule.**

INFORMATIONAL TECHNOLOGY

- Township personnel are prohibited from making changes to master files
- One employee is assigned the responsibility for IT security
 1. **The Township should assign one official or employee to be in charge of IT security.**
- There are adequate physical controls over computer facilities
- Software users are prohibited from having access to source code
- Computer access is limited to specific persons and individuals have access only to those applications or files that are necessary for their duties
- Passwords are required to be complex and to be changed at regular intervals
 1. **One incident of loss of data occurred in 2007. Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of applications and data files
 1. **Backups of accounting data on Quickbooks software are performed on a regular basis. Backups on BS&A of tax and assessing data appear to be more infrequent and not on a set schedule. All backups should be done on a regular and scheduled basis and stored in a safe, off site premise.**
- There is a documented disaster recovery plan and it has been tested
 1. **There is no current documented plan. Off premise storage is maintained for master files and transaction files sufficient to recreate the current master files.**